

**Seton House Finance Limited**

**Directors' report and financial  
statements**

**Registered number 4354197**

**Year ended 31 December 2003**



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## Directors' report

The directors present their annual report and audited financial statements for the year ended 31 December 2003.

### Principal activities

The principal activity of the company is that of an intermediate holding company involved in the financing of its subsidiaries.

### Review of business and future developments

The profit and loss account for the year is set out on page 4.

The directors consider the state of affairs of the company to be satisfactory.

### Dividends

The directors do not recommend the payment of a dividend. The loss for the financial year of £13,158,000 (*period ended 31 December 2002: loss of £9,377,000*) will be transferred from reserves.

### Directors and directors' interests

The directors of the company who held office during the year were as follows:

BD Brogan  
RM Cullinan  
SL Duffield  
HW Gregson  
AW Jones  
DG Robertson

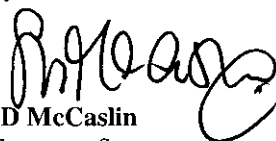
BD Brogan, RM Cullinan, SL Duffield, HW Gregson, AW Jones, and DG Robertson were directors of the ultimate parent company, Seton House Group Limited, during the year.

The directors of the ultimate parent undertaking disclose their interests in the share capital of Seton House Group Limited in the financial statements of that company. No other directors had any interests in the shares of the company or any other group company.

### Auditors

The company has elected to dispense with the annual appointment of auditors and in the absence of a specific resolution KPMG LLP will continue in office.

By order of the board



SD McCaslin  
Company Secretary

Seton House  
Warwick Technology Park  
Gallows Hill  
Warwick  
CV34 6DE

23 March 2004

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

2 Cornwall Street  
Birmingham  
B3 2DL

## **Independent auditor's report to the members of Seton House Finance Limited**

We have audited the financial statements on pages 4 to 10.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

The directors are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### ***Basis of audit opinion***

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### ***Opinion***

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP  
Chartered Accountants  
Registered Auditor

23 March 2004

**Profit and loss account**  
*for the year ended 31 December 2003*

	<i>Note</i>	<b>Year ended 31 December 2003 £000</b>	<b>Year ended 31 December 2002 £000</b>
Administration costs		(4,193)	(2,895)
<b>Operating loss</b>		<b>(4,193)</b>	<b>(2,895)</b>
Interest payable and similar charges	4	(14,604)	(10,501)
<b>Loss on ordinary activities before taxation</b>	2	<b>(18,797)</b>	<b>(13,396)</b>
Taxation on loss on ordinary activities	5	5,639	4,019
<b>Loss on ordinary activities after taxation</b>	11	<b>(13,158)</b>	<b>(9,377)</b>
<b>Loss for the financial period</b>		<b>(13,158)</b>	<b>(9,377)</b>

All amounts relate to continuing operations.

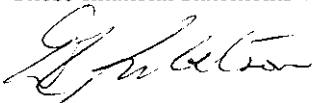
The company has no recognised gains or losses other than the result for the above financial year.

There is no difference between the results above and the results as prepared on a historical cost basis.

**Balance sheet**  
*at 31 December 2003*

	<i>Note</i>	<b>2003 £000</b>	<b>2002 £000</b>
<b>Fixed assets</b>			
Investments	6	<b>251,195</b>	243,355
<b>Current Assets</b>			
Debtors	7	<b>5,667</b>	4,096
<b>Creditors: Amounts falling due within one year</b>	8	<b>(700)</b>	(777)
<b>Net current assets</b>		<b>4,967</b>	3,319
<b>Total assets less current liabilities</b>		<b>256,162</b>	246,674
<b>Creditors: Amounts falling due after more than one year</b>	9	<b>(91,492)</b>	(72,696)
<b>Net assets</b>		<b>164,670</b>	173,978
<b>Capital and reserves</b>			
Called up share capital	10	<b>3,850</b>	-
Capital contribution reserve	11	<b>183,355</b>	183,355
Profit and loss account	11	<b>(22,535)</b>	(9,377)
<b>Equity shareholder's funds</b>	12	<b>164,670</b>	173,978

These financial statements were approved by the directors and signed on their behalf on 23 March 2004 by:



**DG Robertson**  
*Director*

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

#### *Basis of accounting*

The financial statements are prepared in accordance with the historical cost convention and applicable Accounting Standards.

The company is exempt by virtue of the Companies Act 1985 from the requirement to prepare group financial statements.

#### *Cash flow statement*

The company is exempt under Financial Reporting Standard 1(revised) from the requirements to present a cash flow statement on the grounds that it is wholly owned subsidiary undertaking.

#### *Related party transactions*

As permitted by paragraph 3(c) FRS8 (Related Party Disclosures), the company has taken advantage of the exemption for 90% subsidiaries not to disclose related party transactions with group entities. There were no other related party transactions disclosable under FRS8.

#### *Taxation*

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Foreign currencies*

All transactions denominated in foreign currencies are translated into sterling at the actual rate of exchange ruling on the date of the transaction. Assets and liabilities, including long term liabilities, in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date. All differences arising are dealt with through the profit and loss account.

#### *Fixed asset investments*

Investments in subsidiary undertakings are stated at cost less provision of impairment where necessary to reduce book value to recoverable amount.

### 2 Loss on ordinary activities before taxation

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
<i>Loss on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Unrealised foreign exchange loss on long term debt	4,193	2,895

The auditors remuneration for this company is borne by another group company.



## Notes (continued)

### 3 Directors' emoluments

No director received emoluments for services to the company during the year.

### 4 Interest payable and similar charges

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
Amortisation of FRS 4 issue costs	71	58
On bank loans and overdrafts	14,533	10,443
	<u>14,604</u>	<u>10,501</u>

### 5 Taxation on loss on ordinary activities

#### Analysis of credit in year

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
UK corporation tax		
Group relief receivable for the period	(5,639)	(4,019)

#### Factors affecting the tax credit for the current period

The current tax credit for the year is at the standard rate (2002 standard rate) of corporation tax in the UK of 30% (period ended 31 December 2002: 30%).

	Year ended 31 December 2003 £000	Year ended 31 December 2002 £000
<i>Current tax reconciliation</i>		
Loss on ordinary activities before taxation	(18,797)	(13,396)
Current tax credit at 30%	<u>(5,639)</u>	<u>(4,019)</u>

## Notes (continued)

### 6 Fixed asset investments

	Interest in group undertakings £000
<i>Cost and net book value</i>	
At beginning of year	243,355
Additions	7,840
	<hr/>
At end of period	251,195
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The company owns 100% of the share capital of Britax Group plc, a company incorporated in England and Wales. The principal activity of Britax Group plc is as an intermediate holding company involved in the financing of its subsidiaries.

During the year the company injected cash of £7,840,000 into Britax Group plc in exchange for the issue of shares.

### 7 Debtors

	2003 £000	2002 £000
Group relief receivable	5,667	4,019
Amounts due from group undertakings	-	77
	<hr/>	<hr/>
	5,667	4,096
	<hr/>	<hr/>

### 8 Creditors: Amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to group undertakings	700	777
	<hr/>	<hr/>

### 9 Creditors: amounts falling due after more than one year

	2003 £000	2002 £
Bank loans	92,063	73,338
Unamortised issue costs	(571)	(642)
	<hr/>	<hr/>
	91,492	72,696
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## Notes (continued)

### 9 Creditors: amounts falling due after more than one year (continued)

	2003 £000	2002 £000
<i>Loans are repayable as follows:</i>		
After more than five years	92,063	73,338

A summary of the repayment terms, interest/discount rates and security on the loans is as follows:

Title		£000	£000
Deep Discounted Bonds	18% implied fixed rate capitalised and repayable at the end of the term in 2012.	57,265	44,484
- unsecured			
PIK notes	18% fixed rate capitalised and repayable at the end of the term in 2012	34,798	28,854
- unsecured			
		92,063	73,338

With the exception of £27.8m of the PIK Notes the debt instruments are designated in Euros.

The Deep Discounted Bonds carry no interest, the interest charge in the profit and loss account is the implied finance charge in accordance with FRS4 "Capital Instruments". An amount of €549,991,000 is repayable in 2012 on the Deep Discounted Bonds and PIK notes.

### 10 Called up share capital

	Authorised Number of shares	£	Allotted, called up and fully paid Number of shares	£
Ordinary share of £1 each				
At 1 January 2003	100	100	1	1
Issued during the year	3,999,900	3,999,900	3,850,000	3,850,000
At 31 December 2003	4,000,000	4,000,000	3,850,001	3,850,001

## Notes (continued)

### 11 Reserves

	Capital contribution reserve £000	Profit and loss account £000	Total £000
At 1 January 2003	183,355	(9,377)	173,978
Retained loss for the financial year	-	(13,158)	(13,158)
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At 31 December 2003	183,355	(22,535)	160,820
	<hr/>	<hr/>	<hr/>

### 12 Reconciliation of movements in shareholder's funds

	2003 £000	2002 £000
Loss for the financial period	(13,158)	(9,377)
Issue of shares	3,850	-
Capital contribution	-	183,355
Shareholder's funds at beginning of period	173,978	-
	<hr/>	<hr/>
Shareholder's funds at 31 December	164,670	173,978
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### 13 Ultimate parent company

The company's immediate parent company is Seton House Holdings Limited and the ultimate parent company is Seton House Group Limited incorporated in Great Britain.

Copies of the financial statements of Seton House Group Limited, which is the smallest and largest group in which the company financial statements are consolidated, are available from The Secretary, Seton House, Warwick Technology Park, Gallows Hill, Warwick, CV34 6DE.

As at 31 December 2003, the ultimate controlling party of the Group was Royal Bank Investments Limited, a wholly owned indirect subsidiary of the Royal Bank of Scotland plc, which controlled 85% of the Group's share capital. On 10 February 2004, Royal Bank Investments Limited divested of a portion of their shares in the Group and consequently now control 49.9% of the Group's voting share capital. Royal Bank Investments Limited are therefore no longer the ultimate controlling party of the Group.